

# FISCAL NOTE

**Bill #:** SB0422

**Title:** Require gasoline to be blended with 10%, by volume, ethanol

**Primary Sponsor:** Black, J

**Status:** As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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## Fiscal Summary

	<b><u>FY 2004</u></b> <b><u>Difference</u></b>	<b><u>FY 2005</u></b> <b><u>Difference</u></b>
<b>Expenditures:</b>		
General Fund	\$0	\$0
<b>Revenue:</b>		
General Fund	\$0	\$0
<b>Net Impact on General Fund Balance:</b>	\$0	\$0

- |   |  |
|---|--|
| <input type="checkbox"/> Significant Local Gov. Impact    | <input type="checkbox"/> Technical Concerns            |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached  | <input type="checkbox"/> Needs to be included in HB 2  |

## Fiscal Analysis

### ASSUMPTIONS:

1. The entire impact of this bill occurs after July 1, 2005, so all of the assumptions are long-term in nature.
2. This bill requires that all gasoline sold at retail to consumers for use in motor vehicles to be operated on public highways will be blended with 10 percent ethanol. The mandatory mixture of gasoline and ethanol is also known as "gasohol" or "E-10."
3. HB 644, Chapter 568, Laws of 2001, defined gasohol and biodiesel fuels in 15-70-201, MCA, and provided that these fuels are taxed at 85 percent of the current state gasoline tax rate if (a) there is an ethanol plant built and producing in Montana and (b) there is \$20 million of working capital in the highway state special revenue account. The act only becomes effective 30 days after the director of the Department of Transportation certifies to the Governor that the ethanol plant is operational and the capital balance will be \$20 million on the next June 30 thereafter; and the act terminates four years after becoming effective.
4. If both of the conditions of HB 644 were to be met, which appears unlikely due to the current cash flow of the DOT, and this bill were to be adopted, then this bill would reduce the state motor fuel tax to 85 percent (.2295 cents a gallon) of the current motor fuel tax rate (.27 cents a gallon) and DOT would lose about \$20 million a year for the four years when HB 644 was effective.

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(continued)

5. Section 1 of this bill bans MTBE after July 1, 2005, which several other states have done or are considering. The ban in California is effective December 31, 2003.
6. With few exceptions, the state purchases nearly all gasoline products exempt of the federal excise tax on gasoline, which is 18.4 cents per gallon. Ethanol blended fuel is taxed at only 13.1 cents per gallon.
7. If market forces keep gasoline margins and prices essentially as they are today, state agencies through their own fleets and the State Motor Pool would pay an additional 5.3 cents per gallon after taxes for gasohol versus straight unleaded products.
8. The State Motor Pool would have to increase their rates accordingly in the 2007 biennium.
9. The Department of Administration operates a Statewide Fueling Network which would not be impacted because the card processor's tax exemption structure already accommodates ethanol blended products.
10. There is no specific impact known at this time agency-by-agency that would need to be included in HB 2 in the 2007 biennium.